

H.R. 10904

## NATIONAL INSTITUTES OF HEALTH

(Mr. FOUNTAIN (at the request of Mr. ALBERT) was given permission to extend his remarks at this point in the Record, and to include extraneous matter.)

Mr. FOUNTAIN. Mr. Speaker, the Senate has amended H.R. 10904 to increase the funds for the National Institutes of Health \$60 million above the House allowance and \$120.4 million above the President's budget request. It is my belief that this additional money would not be spent efficiently and, if agreed to by the House, would, in fact, impede the efforts of the Committee on Government Operations to secure much needed management improvements in the NIH programs.

Mr. Speaker, in each of the past 5 years we have witnessed the curious phenomenon of the House authorizing substantially more money for NIH than the President has requested and the Senate voting an even larger increase over the House figure. This year, for example, the President requested \$780.4 million for NIH. The House increased the amount to \$840.8 million, and the Senate has added an additional \$60 million, for a total of more than \$900 million. In addition, \$50 million was requested and was allowed by both the House and Senate for health research facilities grants.

There may have been a time when such congressional stimulation was justified, but today we have an entirely different situation. The present administration is surely liberal in matters involving health, education, and welfare, and the President, personally and through a family foundation, has demonstrated a deep interest in medical research. This is borne out by the fact that the President's 1963 budget for NIH, including the health research facilities program, provides for an increase of more than \$62 million over last year's appropriation and an increase of approximately \$136 million over the amount actually spent in fiscal 1962. The President's recommendation represents an increase of almost 20 percent above the amount actually spent by NIH in 1962. This, I submit, would be a challenging rate of growth for even the best managed organization.

I have prepared two tables comparing the House and Senate increases of the 1963 NIH budget with 1962 budget figures, and showing the history of NIH appropriations since 1950. Under unanimous consent, I include these tables at this point in the Record. The first of these tables shows, among other things, that \$26.9 million was left unspent from NIH's 1962 appropriations in addition to the \$46.6 million held in reserve at the direction of the Secretary of Health, Education, and Welfare:

TABLE 1.—House and Senate increases of National Institutes of Health budget, by institute

(In millions of dollars)

Institute or program	1962 appropriations	1962 operating budget <sup>1</sup>	1962 actual expenditures <sup>2</sup>	1963 President's budget	1963 House allowance	1963 Senate allowance
General research and service.....	127.6	125.5	118.2	147.8	155.8	161.8
Cancer Institute.....	142.8	127.0	117.1	139.1	150.4	158.4
Mental Health.....	108.9	107.8	108.1	126.9	133.6	148.6
Heart Institute.....	132.9	113.3	110.7	125.9	143.4	149.4
Dental Research.....	17.3	15.3	15.1	17.2	19.2	22.2
Arthritis and Metabolic.....	81.8	81.0	78.9	91.9	98.7	105.1
Allergy and Infectious.....	56.1	55.9	54.6	59.3	62.1	68.1
Neurology and Blindness.....	70.8	65.8	62.1	71.2	77.5	86.5
Subtotal.....	738.3	691.7	664.8	780.4	840.8	900.8
Health research facilities.....	30.0	30.0	30.0	50.0	50.0	50.0
Total.....	768.3	721.7	694.8	830.4	890.8	950.8

<sup>1</sup> Represents amount available after \$46,600,000 was held in reserve at direction of Secretary of Health, Education, and Welfare.<sup>2</sup> Preliminary.TABLE 2.—History of appropriations, National Institutes of Health, 1960-63<sup>1</sup>

Fiscal year	Budget estimate	House allowance	Senate allowance	Appropriation
1950.....	\$41,246,000	\$46,371,000	\$60,563,000	\$52,146,000
1951.....	62,570,000	61,970,000	66,326,000	60,059,750
1952.....	59,084,000	57,301,885	58,431,058	57,675,291
1953.....	55,005,000	53,833,500	58,982,000	59,030,750
1954.....	56,340,000	61,586,200	72,153,000	71,153,000
1955.....	71,128,000	77,393,000	83,143,000	81,268,000
1956.....	90,314,800	89,773,000	113,416,800	98,458,000
1957.....	126,525,000	135,525,000	183,007,000	183,007,000
1958.....	190,183,000	190,183,000	226,783,000	211,183,000
1959.....	211,183,000	219,383,000	320,577,000	294,383,000
1960.....	294,279,000	344,279,000	480,604,000	400,000,000
1961.....	400,000,000	455,000,000	664,000,000	560,000,000
1962.....	583,000,000	641,000,000	835,670,000	738,335,000
1963.....	780,400,000	840,800,000	900,800,000	

<sup>1</sup> Excludes funds for NIH construction and health research facilities grants.

I would remind my colleagues of the tremendous increases of appropriations for the National Institutes of Health in recent years. Between 1950 and 1962, appropriations for NIH have increased by approximately 15 times, while the appropriations for research and training grants to nongovernmental scientists alone have increased by more than 26 times. Few public programs have grown at such a rapid rate. Consequently, it is not surprising that officials of the agency have experienced organizational and management problems in administering these programs. In a letter dated July 6, 1962, the Surgeon General of the Public Health Service wrote me in this connection:

The rapid expansion of the Federal support programs for medical research, to which the report calls attention, has, indeed, created new organizational and management problems, and has made progressively more difficult the complex task of their administration. The difficulties incident to this expansion have for some time been a matter of growing concern.

Mr. Speaker, the Committee on Government Operations, through the subcommittee of which I am chairman, has intensively studied the NIH grant programs for the past 3 years. In April, 1961, the committee issued a comprehensive report—"Health Research and Training; the Administration of Grants and Awards by the National Institutes of Health," House Report No. 321, April 28, 1961—on the administration of these programs based on more than 2 years of investigation. In brief, the committee

found that NIH is not adequately organized to administer the grant programs with maximum effectiveness. Among other weaknesses, NIH has failed to provide for a meaningful review of the financial requirements of research projects and NIH does not maintain sufficient direct and continuous contact with grantees for the purpose of determining appropriate levels of continuation support in relation to project accomplishments and needs.

I will not take the time of the House to describe in detail the deficiencies that exist in NIH management. These are spelled out and documented in our committee's two reports and two sets of hearings on the NIH grant programs. In the first of these reports, referred to above, the Committee made 13 specific recommendations for the improvement of these programs. The Surgeon General and the Director of NIH have expressed agreement with most of the Committee's recommendations and have stated their intentions to take corrective action. Unfortunately, NIH has taken relatively little action thus far to back up its intentions. As I wrote the Surgeon General on July 13, in response to his letter of July 6 informing me of measures presently under consideration for improving the NIH programs, it is my hope that the administrative improvements being considered by NIH will not result in just another case of announced intentions without effective implementation. I will insert the text of my letter at this point in the RECORD for the information of the House:

DR. LUTHER L. TERRY,  
Surgeon General, Public Health Service,  
Department of Health, Education, and  
Welfare, Washington, D.C.

DEAR DR. TERRY: I want to thank you for your letter of July 6 and the copy of the July 3 internal report containing proposals for changes in the Public Health Service research grants programs made to you by your Interbureau Directing Committee. I appreciate your sending me this information on the measures presently under consideration for improving administration of the NIH and other Public Health Service grant programs. The specific recommendations contained in your Interbureau Committee report are consistent in many respects with recommendations made more than a year ago by this committee. If put into effect, these changes should greatly improve your present operations. However, I believe I speak for our entire committee when I express the hope that this will not become just another case of announced intentions without effective implementation.

Your letter details a number of changes in NIH policies and procedures, many of which you say have resulted from the recommendations and observations of this committee. Items 1 and 2, relating to serious management deficiencies to which the committee has called attention, refer to improved procedures for securing a more thorough examination of the budget requests of grantees, including provision for staff negotiation of the actual amounts required for research projects. I should like to remind you that the subcommittee's recent hearings showed these procedures to be essentially paper changes, rather than actual accomplishments. As a result of these and other administrative inadequacies found by the subcommittee, the full Committee on Government Operations, in a unanimous report issued June 30, expressed dissatisfaction with the slow progress being made by NIH to strengthen the management of its grant programs.

Item 7 in your letter refers to the new Public Health Service policy of using contracts in place of grants for the support of research in profitmaking firms. As the committee reported last month, substitution of one type of financial instrument for another does not in itself assure the effective and careful use of research funds. The committee took the position also that public funds intended to assist fundamental and other nondirected research, as distinguished from research performed at the request of a Government agency, should be made available to profitmaking companies only in exceptional circumstances.

I sincerely hope that you and your associates will act expeditiously to put the management of these very important health research grant programs on a sound footing. As you have stated so well in your letter, the rapid expansion of Federal support for medical research has indeed created new organizational and management problems, and has made progressively more difficult the complex task of administering these programs. Our committee also recognized this problem when it concluded last month that it "is inescapable, from a study of NIH's loose administrative practices, that the pressure for spending increasingly large appropriations has kept NIH from giving adequate attention to basic management problems."

I sincerely believe it would be a disservice to your agency, to the cause of medical research, and to the taxpaying public if appropriations for the National Institutes of Health were increased beyond the amount the President has recommended before you have developed the ability to manage effectively these large and complex programs. I greatly appreciate your desire to keep me

fully informed of the steps that are taken to achieve this objective.

With all good wishes, I am,

Sincerely,

L. H. FOUNTAIN,  
Chairman, Intergovernmental  
Relations Subcommittee.

Mr. Speaker, the Committee on Government Operations, in a unanimous report issued June 30, 1962—"Administration of Grants by the National Institutes of Health, Reexamination of Management Deficiencies," House Report No. 1958, June 30, 1962—expressed dissatisfaction with the slow progress being made by NIH to strengthen the management of its research grant programs. While NIH has acted in several areas in response to the Committee's recommendations, relatively little effort has been made to improve the overall management of these important health programs. In particular, the Committee found no significant improvement in the inadequate fiscal review of project requirements on which it reported last year.

The adequacy of NIH policies and procedures for insuring the appropriate expenditure of research funds was tested earlier this year by means of a detailed audit of the grants awarded to Public Service Research, Inc., a company which has received about \$400,000 in NIH support for seven separate projects. The audit disclosed that the company misused and profited from grant funds and, in general, the company used the very broad discretion which NIH allows grantees in expending research money for its own advantage.

The audit findings, which I will summarize, demonstrate the extent to which NIH grants may be wastefully expended without NIH's knowledge or apparent concern.

The audit showed specifically:

First. Grant funds were used to finance capital and other costs associated with establishing a new corporation. During the first year and a half of its existence, Public Service Research, Inc., acquired practically all of its office equipment and furnishings from Federal research grants and contracts.

Second. The corporation, according to its records, claimed a depreciation allowance in its Federal income tax returns for equipment purchased from NIH grants.

Third. The corporation's rent, maintenance, and moving expenses, and the expense of remodeling its rented quarters, were charged as direct costs to individual Federal grants and contracts.

Fourth. The corporation derived a profit in excess of its actual indirect costs from the overhead allowance—15 percent of total direct costs—paid by NIH to cover indirect costs.

Fifth. Fees paid by the corporation to its affiliate, Clark, Channell, Inc., for hiring expenses included a profit to the affiliate. Such fees were improperly billed as direct costs to particular NIH projects; the persons for whom hiring fees were paid worked on several projects and, in one case, the employee performed no research on the project to which his fee was charged.

Sixth. Salary costs were improperly charged to NIH grants for (a) time spent by corporate officers in meetings of directors or stockholders and in the administration of corporation business; (b) time spent by a corporate officer as a consultant to NIH, for which he was also paid \$50 a day plus travel expenses; and (c) an employee who was hired to staff the company's Washington office and performed no research on the project to which his salary was charged.

Seventh. Various expense items were incorrectly classified as direct costs of particular grant projects, and in several instances entertainment expenses were improperly charged to NIH grants.

Eighth. Travel expenses were incurred in some instances for purposes which do not appear to have a direct relationship to the projects charged.

The audit also disclosed poor coordination between NIH and the Public Health Service, of which NIH is a part. NIH continued to pay Public Service Research, Inc., a 15-percent indirect cost allowance on grants after the Public Health Service had established an indirect cost rate of 6.66 percent for the same company in connection with a research contract. Following completion of the contract, the Public Health Service permitted the company to retain Government-owned equipment for use in connection with an NIH grant but made no effort to ascertain that the equipment was necessary for the NIH project. Shortly thereafter, NIH awarded a new grant to the company which included funds for the purchase of equipment similar to that which the company already had in its possession from the completed Public Health Service contract.

The suggestion has been made that the findings of this audit are not applicable to most NIH grants, since the grantee in this instance is a company operating for profit while most NIH grants are made to nonprofit institutions. This reasoning misses the essential point that under its present inadequate administrative arrangements NIH does not know whether or not grant funds are expended prudently and for the intended purposes and, consequently, NIH cannot provide reasonable assurance that the misuse of grants is not widespread.

While it is true that the bulk of NIH grants are made to investigators in educational institutions, this does not in itself assure that funds are spent prudently and for their intended purposes. In this connection, NIH says it relies upon the educational institutions for the effective management of grant funds, but NIH has conceded that adequate administrative machinery does not presently exist, either within NIH or in the grantee institutions, to insure that this responsibility is being met.

Mr. Speaker, it is apparent from the hearings held recently by our subcommittee that weaknesses in the NIH grant programs are due to causes more fundamental than staff inadequacies and faulty administrative procedures. It is the conclusion of the Committee on Government Operations that these weaknesses are due in large measure to the failure of NIH officials to understand the

nature of their responsibility for the management of public funds. This lack of understanding is reflected in the statement of the Director of NIH that in making grants:

Selection of good men and good ideas—and rejection of the inferior—is the key. All subsequent administrative actions having to do with the adjustment of budgets, and so forth, are essentially trivial in relation to this basic selection process.

Our committee has, of course, strongly rejected this irresponsible view that administrative actions for the effective and economical expenditure of grant funds are "trivial" or are matters of little importance.

Mr. Speaker, I want to point out that the Committee on Government Operations stressed in its recent report that it is completely committed to the principle of allowing scientific investigators the greatest possible freedom of action in carrying out their research. The history of science clearly demonstrates that scientific achievement and progress have generally occurred under conditions which allow maximum freedom of inquiry for the investigator.

The committee concluded, however, that freedom for the scientist should not be confused with license or fiscal irresponsibility. One cannot condone waste and extravagance wherever it exists as being either in the public interest or in the interest of science. Grant money that is uneconomically or inefficiently spent deprives other scientists of support for their work. Moreover, the injudicious use of research funds is grossly unfair to the American public which is required to support this activity through taxation. What we must achieve is a harmonizing of freedom for the investigator with responsibility to the public in the expenditure of Government funds. NIH has the obligation to develop adequate policies and procedures for assuring that grant funds are prudently spent within this context.

Mr. Speaker, I want to make a brief comment on the matter of indirect costs. I note that the Senate has again this year struck the 15-percent limitation on the indirect expenses of research grants voted by the House. I hope the House conferees will stand firm on this item. The Committee on Government Operations has studied this problem and favors the adoption of a uniform Government-wide policy for indirect costs which will take into account the nature of the research supported and the benefits to the grantee institution. It should be kept in mind that under an NIH grant the scientist does not perform work for the Government; he undertakes a research project of his own choice with the assistance of Federal funds. Consequently, the Government's financial obligation is not the same in this case as it would be for purchased research. It should be noted, however, that in certain instances research projects and facilities may possess a special national character which justifies their being supported wholly by Federal funds. But as a general rule, it is undesirable that the Federal Government assume the total cost of health re-

search conducted in educational and other non-Federal institutions.

Even under the present 15-percent limitation, our committee has found it to be NIH's practice to pay the maximum rate for projects where indirect costs are nominal or nonexistent. For example, our audit of Public Service Research, Inc., disclosed that NIH paid the company a 15-percent indirect cost allowance, although the company's actual indirect costs were only 6.66 percent of direct costs—the rate negotiated by the Public Health Service for work purchased through a contract.

Mr. Speaker, when the House acted on May 27 to increase the NIH appropriation by \$60.4 million above the President's budget request, our subcommittee had not yet completed its review of the management of these programs. The subcommittee's hearings were held on March 28, 29, and 30. If the information obtained in those hearings had been available to me on March 27, I could not in good conscience have supported the sizable increase recommended by the Appropriations Committee. I am not an authority on how much money is needed to adequately support medical research. But it is obvious that to increase substantially the appropriations for these programs in the absence of effective management can only result in waste and inefficiency. It is also obvious that the funds which are not spent unnecessarily as a result of the inadequate review of the budgetary requirements of projects would go a long way toward financing those new projects which are found to merit support during the fiscal year 1963. Surely, with the additional \$60.4 million already voted by the House, there will be more than enough money available for NIH support of all meritorious health research and training projects. I can see no possible justification for increasing the NIH appropriation still another \$60 million as proposed by the other body.

Last Friday, 32 of the 80 Members of the Senate present and voting supported the Proxmire amendment, which would have reduced the NIH appropriation to the level of the President's budget, or \$60.4 million below the House-approved amount. The Saltonstall amendment, which would have limited the NIH appropriation to the level approved by the House, failed to pass by only six votes. The closeness of the 36-to-41 vote on the Saltonstall amendment clearly demonstrates the reluctance with which the other body supported the recommendation of the National Institutes of Health \$60.4 million increase the appropriation for the National Institutes of Health \$60.4 million over the House amount and \$120.4 million above the liberal amounts recommended by the President.

Mr. Speaker, it took courage for those 36 Members of the other body to vote against the recommendation of their Appropriations Committee. It is politically unpopular to give the appearance of not favoring better health for the American people, but better health is not the issue here. The real issue before us, shorn of emotional and irrelevant appeals to the need for eliminating

dread diseases and increasing our life span, is the question of whether Federal support programs for health research shall be prudently administered so as to maximize the return from public funds, or whether these programs shall continue to be treated as a sacred cow, with officials of the National Institutes of Health exempt from the normal practices of sound public administration. It appears, Mr. Speaker, that the NIH officials have become so accustomed to a privileged position and to receiving appropriations far in excess of those the President requests that they are no longer responsive to congressional criticism. I would remind the House that the NIH Director has referred to administrative actions for the effective and economical expenditure of grant funds as essentially trivial considerations. In all fairness, however, I must add that we in the Congress have compounded NIH's management problems by our insistence on voting more money each year than the agency has programed for careful and effective expenditure.

It is the conclusion of the Committee on Government Operations that the pressure for spending increasingly large appropriations has kept NIH from giving adequate attention to basic management problems. I sincerely believe it would be a disservice to NIH, to the cause of medical research, and to the taxpaying public if these appropriations were increased beyond the amount approved by the House before NIH has developed the ability to effectively manage these large and complex programs. I, therefore, urge the House to firmly resist any effort to further increase these appropriations which the House has already increased \$60.4 million above the President's budget and \$196 million over NIH's actual expenditures for last year.

On Monday I asked the Director of the Bureau of the Budget whether there have been any developments since the transmittal of the budget last January which would cause the President to revise his recommendations today concerning the 1963 appropriations for the National Institutes of Health. Mr. Bell has written me that "the estimates contained in the President's budget for 1963 continue to represent his judgment of the funds needed to sustain the forward movement in the very important programs of the National Institutes of Health." I will place the Budget Director's letter in the RECORD here for the information of the House:

EXECUTIVE OFFICE OF THE PRESIDENT,  
BUREAU OF THE BUDGET,  
Washington, D.C., July 24, 1962.

HON. L. H. FOUNTAIN,  
Chairman, Intergovernmental Relations  
Subcommittee, Committee on Govern-  
ment Operations, House of Representa-  
tives, Washington, D.C.

DEAR MR. FOUNTAIN: This is in response to your telephone inquiry of July 23, 1962, as to whether there have been developments subsequent to the transmittal of the budget last January which would cause the President to revise his recommendations concerning the 1963 appropriations for the National Institutes of Health.

I would like to emphasize that the budget estimates for the National Institutes were

considered very carefully last fall by the Bureau of the Budget and the President. The amounts which were recommended by the President in the budget were based on his belief that the support of medical research through NIH should continue to grow at an orderly rate consistent with the prudent and effective use of funds and trained manpower, and with due regard to other demands on the budget. On the basis of these considerations, the President recommended appropriations of \$830.4 million for 1963. In the light of recent data indicating that 1962 obligations amounted to \$694 million, the President's recommendation constitutes an increase of about 20 percent over 1962 obligations.

Since the submission of the budget in January, the President has sent additional messages to the Congress relating to health and education. However, the budget estimate anticipated these messages to the extent that the programs of the NIH were concerned. In addition, the NIH has completed its study of medical research manpower, which raises a number of important questions relating to the future manpower needs in this field. This report, however, has not been viewed by the President as requiring a revision of the estimates now before the Congress. Accordingly, the estimates contained in the President's budget for 1963 continue to represent his judgment of the funds needed to sustain the forward movement in the very important programs of the National Institutes of Health.

Sincerely yours,  
DAVID E. BELL,  
Director.

Mr. Speaker, I want to inform the House that our Committee will closely watch the administration of the NIH grant programs, and that it is my intention to propose a reduction in the NIH appropriations for next year if the agency does not act vigorously to correct its management deficiencies and strengthen its capacity for the efficient and economical operation of these vital programs.